

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>LEONI TOWNSHIP</b>	County <b>JACKSON</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>11/30/05</b>	Date Accountant Report Submitted to State: <b>12/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY, P.L.C.</b>			
Street Address <b>209 E. WASHINGTON AVE., SUITE 255</b>		City <b>JACKSON</b>	State <b>MI</b>
Accountant Signature <i>Dove &amp; Hickey, P.L.C.</i>		ZIP <b>49201</b>	Date <b>12/29/05</b>

TOWNSHIP OF LEONI  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended June 30, 2005

## TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	4
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Proprietary Funds:	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	9
Statement of Cash Flows	10 - 11
Statement of Net Assets - Fiduciary Fund	12
Component Unit:	
Statement of Net Assets and Governmental Fund Balance Sheet - Downtown Development Authority Component Unit	13
Reconciliation of Fund Balances on Balance Sheet for General Funds - Downtown Development Authority Component Unit	14
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance - Downtown Development Authority Component Unit	15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Discretely Presented Component Unit to the Statement of Activities	16
Notes to Financial Statements	17 - 32
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	33
Budgetary Comparison Schedule - Fire Special Revenue Fund	34
OTHER SUPPLEMENTARY INFORMATION:	
Non-major Governmental Funds:	
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	36

**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

**MEMBERS:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
ALLISON I. COLE, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

The Supervisor and Board of Trustees  
Township of Leoni  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leoni as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leoni as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Leoni has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the Township of Leoni's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Dove & Hickey, P.L.C.*

November 30, 2005

TOWNSHIP OF LEONI  
GOVERNMENT-WIDE -  
STATEMENT OF NET ASSETS  
June 30, 2005

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
<u>ASSETS:</u>				
Cash and investments	\$ 513,684	\$ 3,436,561	\$ 3,950,245	\$ 1,062,299
Restricted assets	-0-	208,386	208,386	-0-
Receivables	4,316	1,775,545	1,779,861	-0-
Due from other governments	329,075	-0-	329,075	-0-
Internal balances	(195,910)	195,910	-0-	-0-
Due from component unit	-0-	66,791	66,791	-0-
Inventory	-0-	53,235	53,235	-0-
Unamortized bond discount	-0-	18,475	18,475	-0-
Capital assets not being depreciated	71,595	832,892	904,487	-0-
Capital assets being depreciated - net	<u>1,462,308</u>	<u>13,935,047</u>	<u>15,397,355</u>	<u>-0-</u>
Total assets	<u>2,185,068</u>	<u>20,522,842</u>	<u>22,707,910</u>	<u>1,062,299</u>
<u>LIABILITIES:</u>				
Accounts payable and accrued expenses	46,753	55,773	102,526	2,276
Accrued interest payable	-0-	4,636	4,636	5,317
Due to other governments	-0-	-0-	-0-	178,508
Due to component unit	10,161	-0-	10,161	-0-
Due to primary government	-0-	-0-	-0-	56,630
Noncurrent liabilities:				
Due within one year	54,534	108,391	162,925	40,000
Due in more than one year	<u>184,707</u>	<u>2,255,000</u>	<u>2,439,707</u>	<u>335,000</u>
Total liabilities	<u>296,155</u>	<u>2,423,800</u>	<u>2,719,955</u>	<u>617,731</u>
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	1,533,903	12,427,939	13,961,842	-0-
Restricted:				
Street lights	145,401	-0-	145,401	-0-
Drug forfeiture activities	7,568	-0-	7,568	-0-
Perpetual care	6,009	-0-	6,009	-0-
Unrestricted	196,032	5,462,717	5,658,749	444,568
Restricted	<u>-0-</u>	<u>208,386</u>	<u>208,386</u>	<u>-0-</u>
Total net assets	<u>\$ 1,888,913</u>	<u>\$18,099,042</u>	<u>\$19,987,955</u>	<u>\$ 444,568</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
GOVERNMENT-WIDE -  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 581,800	\$ 333,117	\$ 1,113	\$ -0-
Public Safety	1,574,577	122,089	1,110	-0-
Public works	154,360	-0-	-0-	-0-
Community and economic development	7,520	-0-	-0-	-0-
Other	<u>2,850</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>2,321,107</u>	<u>455,206</u>	<u>2,223</u>	<u>-0-</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	1,280,464	1,784,100	-0-	100,200
Water	<u>147,586</u>	<u>179,414</u>	<u>-0-</u>	<u>18,612</u>
Total business-type activities	<u>1,428,050</u>	<u>1,963,514</u>	<u>-0-</u>	<u>118,812</u>
Total primary government	<u>\$ 3,749,157</u>	<u>\$ 2,418,720</u>	<u>\$ 2,223</u>	<u>\$ 118,812</u>
COMPONENT UNIT:				
Community development	<u>\$ 46,664</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

GENERAL REVENUES:

Property taxes  
State shared revenue  
Cable fees  
Unrestricted investment earnings  
Gain on sale of capital assets  
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR, AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(\$ 247,570)	\$ -0-	(\$ 247,570)	\$ -0-
(1,451,378)	-0-	(1,451,378)	-0-
(154,360)	-0-	(154,360)	-0-
(7,520)	-0-	(7,520)	-0-
<u>(2,850)</u>	<u>-0-</u>	<u>(2,850)</u>	<u>-0-</u>
<u>(1,863,678)</u>	<u>-0-</u>	<u>(1,863,678)</u>	<u>-0-</u>
-0-	603,836	603,836	-0-
<u>-0-</u>	<u>50,440</u>	<u>50,440</u>	<u>-0-</u>
<u>-0-</u>	<u>654,276</u>	<u>654,276</u>	<u>-0-</u>
(1,863,678)	654,276	(1,209,402)	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(46,664)</u>
1,072,225	-0-	1,072,225	179,042
972,103	-0-	972,103	-0-
58,535	-0-	58,535	-0-
20,451	136,634	157,085	14,261
<u>9,795</u>	<u>-0-</u>	<u>9,795</u>	<u>-0-</u>
<u>2,133,109</u>	<u>136,634</u>	<u>2,269,743</u>	<u>193,303</u>
269,431	790,910	1,060,341	146,639
<u>1,619,482</u>	<u>17,308,132</u>	<u>18,927,614</u>	<u>297,929</u>
<u>\$ 1,888,913</u>	<u>\$18,099,042</u>	<u>\$19,987,955</u>	<u>\$ 444,568</u>

TOWNSHIP OF LEONI  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2005

	General Fund	Fire Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>				
Cash and investments	\$ 471,876	\$ -0-	\$ 23,444	\$ 495,320
Receivables:				
Others	4,316	-0-	-0-	4,316
Due from other governments	329,075	-0-	-0-	329,075
Due from other funds	<u>549,529</u>	<u>-0-</u>	<u>4,153</u>	<u>553,682</u>
 Total assets	 \$ <u>1,354,796</u>	 \$ <u>-0-</u>	 \$ <u>27,597</u>	 \$ <u>1,382,393</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ 34,351	\$ -0-	\$ 421	\$ 34,772
Accrued liabilities	31,973	-0-	-0-	31,973
Due to other funds	139,153	-0-	4,215	143,368
Due to component unit	<u>10,161</u>	<u>-0-</u>	<u>-0-</u>	<u>10,161</u>
 Total liabilities	 <u>215,638</u>	 <u>-0-</u>	 <u>4,636</u>	 <u>220,274</u>
Fund balances:				
Reserved for:				
Street lighting	145,401	-0-	-0-	145,401
Public Safety	-0-	-0-	7,568	7,568
Perpetual care	-0-	-0-	6,009	6,009
Unreserved reported in:				
Major Funds	993,757	-0-	-0-	993,757
Non-major permanent fund	<u>-0-</u>	<u>-0-</u>	<u>9,384</u>	<u>9,384</u>
 Total fund balances	 <u>1,139,158</u>	 <u>-0-</u>	 <u>22,961</u>	 <u>1,162,119</u>
 Total liabilities and fund balances	 \$ <u>1,354,796</u>	 \$ <u>-0-</u>	 \$ <u>27,597</u>	 \$ <u>1,382,393</u>

See accompanying notes to financial statements.



TOWNSHIP OF LEONI  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
June 30, 2005

Fund balances - total Governmental funds	\$ 1,162,119
--	--------------

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are  
not financial resources and are not reported in the funds.

Add - capital assets	1,690,234
Deduct - accumulated depreciation	(744,191)

Certain liabilities, such as compensated absences, are not  
due and payable in the current period and therefore are not  
reported in the funds.

Deduct - compensated absences	<u>(219,249)</u>
-------------------------------	------------------

Net assets of governmental activities	\$ <u>1,888,913</u>
---------------------------------------	---------------------

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General Fund	Fire Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes and special assessments	\$ 529,811	\$ 801,815	\$ -0-	\$ 1,331,626
Licenses and permits	167,673	-0-	-0-	167,673
Intergovernmental	981,669	-0-	-0-	981,669
Charges for services	20,296	11,218	6,000	37,514
Fines and forfeitures	21,333	-0-	12,589	33,922
Interest	20,148	-0-	303	20,451
Other revenues	<u>5,832</u>	<u>2,058</u>	<u>-0-</u>	<u>7,890</u>
Total revenues	<u>1,746,762</u>	<u>815,091</u>	<u>18,892</u>	<u>2,580,745</u>
EXPENDITURES:				
General government	554,756	-0-	7,952	562,708
Public safety	490,801	1,041,578	5,021	1,537,400
Public works	154,360	-0-	-0-	154,360
Community and economic development	7,520	-0-	-0-	7,520
Recreation	<u>2,850</u>	<u>-0-</u>	<u>-0-</u>	<u>2,850</u>
Total expenditures	<u>1,210,287</u>	<u>1,041,578</u>	<u>12,973</u>	<u>2,264,838</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>536,475</u>	<u>(226,487)</u>	<u>5,919</u>	<u>315,907</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-0-	226,487	-0-	226,487
Operating transfers (out)	(226,487)	-0-	-0-	(226,487)
Proceeds from sale of capital assets	<u>9,795</u>	<u>-0-</u>	<u>-0-</u>	<u>9,795</u>
Total other financing sources (uses)	<u>(216,692)</u>	<u>226,487</u>	<u>-0-</u>	<u>9,795</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	319,783	-0-	5,919	325,702
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>819,375</u>	<u>-0-</u>	<u>17,042</u>	<u>836,417</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,139,158</u>	<u>\$ -0-</u>	<u>\$ 22,961</u>	<u>\$ 1,162,119</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
June 30, 2005

Net change in fund balance - total Governmental funds	\$ 325,702
---	------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	11,045
Deduct - depreciation expense	(58,301)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Less - net increase in the accrual for compensated absences	<u>(9,015)</u>
---	----------------

Changes in net assets of governmental activities	\$ <u>269,431</u>
--	-------------------

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
June 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
<u>ASSETS:</u>				
Current assets:				
Cash and investments	\$ 3,024,667	\$ 411,894	\$ 3,436,561	\$ 18,364
Restricted assets	208,386	-0-	208,386	-0-
Receivables:				
Accrued interest	50,686	15,838	66,524	-0-
Usage fees	234,836	20,209	255,045	-0-
Assessments, current	130,241	32,872	163,113	-0-
Due from other funds	34,944	164,575	199,519	4,215
Due from component unit	-0-	153,824	153,824	-0-
Inventories	53,235	-0-	53,235	-0-
Unamortized bond discount	18,475	-0-	18,475	-0-
Total current assets	<u>3,755,470</u>	<u>799,212</u>	<u>4,554,682</u>	<u>22,579</u>
Noncurrent assets:				
Assessments receivable - net of current	1,078,397	212,466	1,290,863	-0-
Capital assets not being depreciated	473,028	359,864	832,892	-0-
Capital assets being depreciated - net	<u>12,424,533</u>	<u>1,510,514</u>	<u>13,935,047</u>	<u>587,860</u>
Total noncurrent assets	<u>13,975,958</u>	<u>2,082,844</u>	<u>16,058,802</u>	<u>587,860</u>
Total assets	<u>\$17,731,428</u>	<u>\$ 2,882,056</u>	<u>\$20,613,484</u>	<u>\$ 610,439</u>
<u>LIABILITIES AND NET ASSETS:</u>				
Current liabilities:				
Accounts payable	43,404	6,693	50,097	-0-
Accrued liabilities	5,122	554	5,676	-0-
Compensated absences - due within one year	21,388	2,003	23,391	-0-
Due to other funds	3,609	-0-	3,609	610,439
Due to component unit	87,033	-0-	87,033	-0-
Accrued interest payable	4,636	-0-	4,636	-0-
Revenue bonds payable - current	<u>85,000</u>	<u>-0-</u>	<u>85,000</u>	<u>-0-</u>
Total current liabilities	<u>250,192</u>	<u>9,250</u>	<u>259,442</u>	<u>610,439</u>
Noncurrent liabilities:				
Revenue bonds payable - net of current	<u>2,255,000</u>	<u>-0-</u>	<u>2,255,000</u>	<u>-0-</u>
Total liabilities	<u>2,505,192</u>	<u>9,250</u>	<u>2,514,442</u>	<u>610,439</u>
Net assets:				
Invested in capital assets - net of related debt	10,557,561	1,870,378	12,427,939	-0-
Unrestricted	4,460,289	1,002,428	5,462,717	-0-
Restricted	<u>208,386</u>	<u>-0-</u>	<u>208,386</u>	<u>-0-</u>
Total net assets	<u>15,226,236</u>	<u>2,872,806</u>	<u>18,099,042</u>	<u>-0-</u>
Total liabilities and net assets	<u>\$17,731,428</u>	<u>\$ 2,882,056</u>	<u>\$20,613,484</u>	<u>\$ 610,439</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
OPERATING REVENUES:				
Charges for service	\$ 1,779,900	\$ 179,414	\$ 1,959,314	\$ 72,359
Other revenues	<u>4,200</u>	<u>-0-</u>	<u>4,200</u>	<u>-0-</u>
Total operating revenues	<u>1,784,100</u>	<u>179,414</u>	<u>1,963,514</u>	<u>72,359</u>
OPERATING EXPENSES:				
Wastewater collection	404,750	-0-	404,750	-0-
Wastewater treatment	401,650	-0-	401,650	-0-
Septage services	42,362	-0-	42,362	-0-
Water distribution	-0-	96,230	96,230	-0-
Depreciation	<u>327,891</u>	<u>51,356</u>	<u>379,247</u>	<u>82,623</u>
Total operating expenses	<u>1,176,653</u>	<u>147,586</u>	<u>1,324,239</u>	<u>82,623</u>
OPERATING INCOME	<u>607,447</u>	<u>31,828</u>	<u>639,275</u>	<u>(10,264)</u>
NON-OPERATING REVENUES (EXPENSES):				
Connection fees	100,200	18,612	118,812	-0-
Interest revenue	109,075	27,559	136,634	469
Gain on sale of capital assets	-0-	-0-	-0-	9,795
Interest expense and fiscal charges	<u>(103,811)</u>	<u>-0-</u>	<u>(103,811)</u>	<u>-0-</u>
Total non-operating revenues (expenses)	<u>105,464</u>	<u>46,171</u>	<u>151,635</u>	<u>10,264</u>
CHANGES IN NET ASSETS	712,911	77,999	790,910	-0-
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>14,513,325</u>	<u>2,794,807</u>	<u>17,308,132</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	<u>\$15,226,236</u>	<u>\$ 2,872,806</u>	<u>\$18,099,042</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 2,077,938	\$ 239,248	\$ 2,317,186	\$ -0-
Cash received from interfund services	6,231	-0-	6,231	-0-
Cash payments to employees	(326,798)	(35,993)	(362,791)	-0-
Cash payments to suppliers	<u>(492,483)</u>	<u>(51,997)</u>	<u>(544,480)</u>	<u>-0-</u>
Net cash provided (used) by operating activities	<u>1,264,888</u>	<u>151,258</u>	<u>1,416,146</u>	<u>-0-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Connections	100,200	18,612	118,812	-0-
Construction/acquisition of capital assets	(63,883)	(340,386)	(404,269)	-0-
Proceeds from sale of capital assets	-0-	-0-	-0-	9,795
Principal paid on long-term debt	(335,000)	-0-	(335,000)	-0-
Interest paid on long-term debt	<u>(104,300)</u>	<u>-0-</u>	<u>(104,300)</u>	<u>-0-</u>
Net cash provided (used) by capital and related financing activities	<u>(402,983)</u>	<u>(321,774)</u>	<u>(724,757)</u>	<u>9,795</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	(110,777)	-0-	(110,777)	-0-
Interest income	<u>58,389</u>	<u>11,721</u>	<u>70,110</u>	<u>469</u>
Net cash provided (used) by investing activities	<u>(52,388)</u>	<u>11,721</u>	<u>(40,667)</u>	<u>469</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	809,517	(158,795)	650,722	10,264
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,090,631</u>	<u>570,689</u>	<u>1,661,320</u>	<u>8,100</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,900,148</u>	<u>\$ 411,894</u>	<u>\$ 2,312,042</u>	<u>\$ 18,364</u>
<b>STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:</b>				
Cash and investments	\$ 3,024,667	\$ 411,894	\$ 3,436,561	\$ 18,364
Restricted assets	208,386	-0-	208,386	-0-
Less: investments with original maturity in excess of three months	<u>(1,332,905)</u>	<u>-0-</u>	<u>(1,332,905)</u>	<u>-0-</u>
Total	<u>\$ 1,900,148</u>	<u>\$ 411,894</u>	<u>\$ 2,312,042</u>	<u>\$ 18,364</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF CASH FLOWS (Concluded)  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 607,442	\$ 31,828	\$ 639,270	(\$ 10,264)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	327,891	51,356	379,247	82,624
Amortization	3,700	-0-	3,700	-0-
Changes in assets and liabilities:				
Receivables	293,838	77,318	371,156	-0-
Due from other funds	6,231	(17,484)	(11,253)	(2,107)
Inventories	(3,232)	-0-	(3,232)	-0-
Accounts payable and accrued expenses	18,499	6,340	24,839	-0-
Due to other funds	<u>10,519</u>	<u>1,900</u>	<u>12,419</u>	<u>(70,253)</u>
Net cash provided (used) by operating activities	<u>\$ 1,264,888</u>	<u>\$ 151,258</u>	<u>\$ 1,416,146</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF NET ASSETS -  
FIDUCIARY FUND  
June 30, 2005

ASSETS:

Cash and cash equivalents	\$ <u>43</u>
---------------------------	--------------

Total assets	\$ <u><u>43</u></u>
--------------	---------------------

LIABILITIES:

Due to other Governments	\$ <u>43</u>
--------------------------	--------------

Total liabilities	\$ <u><u>43</u></u>
-------------------	---------------------

See accompanying notes to financial statements.



TOWNSHIP OF LEONI  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET -  
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT  
June 30, 2005

	Downtown Development Authority Governmental Fund Type <u>General Fund</u>
<u>ASSETS:</u>	
Cash and investments	\$ <u>1,062,299</u>
Total assets	\$ <u>1,062,299</u>
<u>LIABILITIES:</u>	
Accounts payable	\$ 2,276
Due to primary government	56,630
Due to other governments	<u>178,508</u>
Total liabilities	237,414
Fund balance:	
Unreserved	<u>824,885</u>
Total liabilities and fund balance	\$ <u>1,062,299</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS -  
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT  
June 30, 2005

Fund balances - total discretely presented component unit	\$ 824,885
Amounts reported for component unit in the statement of net assets are different because:	
Long-term liabilities not due and payable in the current period and are not reported in the component unit:	
Bonds payable	(375,000)
Accrued interest payable is not included as a liability in the component unit	<u>(5,317)</u>
Net assets of component unit	\$ <u>444,568</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT  
Year Ended June 30, 2005

	Downtown Development Authority <u>Governmental Fund Type General Fund</u>
REVENUES:	
Taxes	\$ 179,042
Interest income	<u>14,261</u>
Total revenues	<u>193,303</u>
EXPENDITURES:	
Community development	13,244
Debt service	<u>74,069</u>
Total expenditures	<u>87,313</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	105,990
FUND BALANCE - BEGINNING OF YEAR	<u>718,895</u>
FUND BALANCE - END OF YEAR	\$ <u><u>824,885</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
DISCRETELY PRESENTED COMPONENT UNIT  
TO THE STATEMENT OF ACTIVITIES  
June 30, 2005

Net change in fund balance - total component unit	\$ 105,990
---	------------

Amounts reported for governmental activities in the  
statement of activities are different because:

Interest expense is reported in the statement of activities when incurred; it is not reported in the component unit governmental funds until paid	649
---	-----

Repayment of note/bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>40,000</u>
--	---------------

Changes in net assets of governmental activities	<u>\$ 146,639</u>
--	-------------------

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Leoni (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Leoni.

Reporting Entity

The Township of Leoni is governed by an elected seven-member board. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Downtown Development Authority

The Downtown Development Authority of the Township of Leoni (D.D.A.) was established as a legally separate entity and is governed by a nine (9) member board appointed by the Township of Leoni. This authority was established to finance improvements to the Township's water supply system serving the downtown development district. The revenues of this authority consist of captured real property taxes within the district over the initial assessed value of the same property (assessed value at the time of the D.D.A.'s creation, multiplied by the millage rate of all applicable units of government). The disbursements of the authority are to pay bond principal and interest, plan and administrative expenses.

There are no separately issued financial statements for the component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds, fiduciary fund, and component units financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Fire Fund - The Fire Fund is used to account for the use of property taxes received under a specially voted millage.

The Township reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges from those requesting sewer service.

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water service.

Additionally, the Township reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer and water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds and the internal service fund relate to charges to customers for sales and services. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.



TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled approximately \$337,242,000 on which ad valorem taxes levied consisted of .779 mills for operating purposes and 2.419 mills for Fire. This resulted in \$253,867 for operating, \$788,325 for Fire, and \$32,308 for the Township's component unit. These amounts are recognized in the General Fund, Special Revenue Fund and discrete component units financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Inventories - Proprietary fund inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Sewer and water transportation lines	50 to 60 years
Furnishings and equipment	5 to 30 years
Vehicles	3 to 30 years

Compensated Absences - It is the Township's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. Public hearings are held, and a final budget is adopted no later than July 1. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs. A summary of the current year activity is as follows:

Current year building permit revenue	\$ 98,056
Less total construction code expenses	<u>(135,729)</u>
Shortfall at June 30, 2005	(\$ <u>37,673</u> )

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

3. DEPOSITS AND INVESTMENTS (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township and its component unit had \$3,852,375 and \$1,029,074 of bank deposits (certificates of deposit, checking and savings accounts), respectively, of which \$300,000 and \$223,104 were covered by federal depository insurance, respectively, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Primary government:		
Bank Investment Pool - Comerica	\$ 313,217	N/A
Component unit - Bank Investment		
Pool - Comerica	31,115	N/A

4. RESTRICTED ASSETS

Restricted assets at June 30, 2005, consist of cash totaling \$208,386. The assets are restricted for the purposes of servicing debt. Net assets have been reserved for an amount equal to the restricted assets.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2005</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>71,595</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>71,595</u>
Capital assets being depreciated:				
Land improvements	167,810	-0-	-0-	167,810
Buildings	767,900	-0-	-0-	767,900
Machinery and equipment	671,884	11,045	-0-	682,929
Vehicles	<u>1,530,562</u>	<u>-0-</u>	<u>(20,479)</u>	<u>1,510,083</u>
Total capital assets being depreciated	<u>3,138,156</u>	<u>11,045</u>	<u>(20,479)</u>	<u>3,128,722</u>
Less: accumulated depreciation:				
Land improvements	(63,768)	(3,356)	-0-	(67,124)
Buildings	(279,766)	(15,437)	-0-	(295,203)
Machinery and equipment	(342,356)	(39,508)	-0-	(381,864)
Vehicles	<u>(860,078)</u>	<u>(82,624)</u>	<u>20,479</u>	<u>(922,223)</u>
Total accumulated depreciation	<u>(1,545,968)</u>	<u>(140,925)</u>	<u>20,479</u>	<u>(1,666,414)</u>
Total capital assets being depreciated - net	<u>1,592,188</u>	<u>(129,880)</u>	<u>-0-</u>	<u>1,462,308</u>
Total capital assets - net	\$ <u>1,663,783</u>	(\$ <u>129,880</u> )	\$ <u>-0-</u>	\$ <u>1,533,903</u>

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

5. CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2005</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 458,604	\$ -0-	\$ -0-	\$ 458,604
Construction in progress	<u>-0-</u>	<u>374,288</u>	<u>-0-</u>	<u>374,288</u>
Total capital assets not being depreciated	<u>458,604</u>	<u>374,288</u>	<u>-0-</u>	<u>832,892</u>
Capital assets being depreciated:				
Buildings and systems	19,874,016	23,148	-0-	19,897,164
Machinery and equipment	<u>570,925</u>	<u>6,833</u>	<u>-0-</u>	<u>577,758</u>
Total capital assets being depreciated	<u>20,444,941</u>	<u>29,981</u>	<u>-0-</u>	<u>20,474,922</u>
Less: accumulated depreciation:				
Buildings and systems	(5,868,862)	(340,966)	-0-	(6,209,828)
Machinery and equipment	<u>(291,766)</u>	<u>(38,281)</u>	<u>-0-</u>	<u>(330,047)</u>
Total accumulated depreciation	<u>(6,160,628)</u>	<u>(379,247)</u>	<u>-0-</u>	<u>(6,539,875)</u>
Total capital assets being depreciated - net	<u>14,284,313</u>	<u>(349,266)</u>	<u>-0-</u>	<u>13,935,047</u>
Total capital assets - net	<u>\$14,742,917</u>	<u>\$ 25,022</u>	<u>-0-</u>	<u>\$14,767,939</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 26,372
Public Safety	31,929
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>82,624</u>
Total governmental activities	<u>\$ 140,925</u>
Business-type activities:	
Sewer Fund	\$ 327,891
Water Fund	<u>51,356</u>
Total business-type activities	<u>\$ 379,247</u>

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ <u>549,529</u>
Cemetery Fund	General Fund	<u>4,153</u>
Sewer Fund	General Fund	5,000
	Internal Service Fund	<u>29,944</u>
	Total Sewer Fund	<u>34,944</u>
Water Fund	General Fund	130,000
	Sewer Fund	3,609
	Internal Service Fund	<u>30,966</u>
	Total Water Fund	<u>164,575</u>
Internal Service Fund	Cemetery Fund	<u>4,215</u>
	Total	\$ <u><u>757,416</u></u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

For the year ended June 30, 2005, interfund transfers of \$226,487 were made from the General Fund to the Fire Special Revenue fund. Transfers are used to fund various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

7. LONG-TERM DEBT

Revenue Bonds. The government issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:							
Governmental activities:							
Compensated absences	-	-	\$ <u>210,234</u>	\$ <u>72,986</u>	(\$ <u>43,979</u> )	\$ <u>239,241</u>	\$ <u>54,534</u>
Total governmental activities			\$ <u>210,234</u>	\$ <u>72,986</u>	(\$ <u>43,979</u> )	\$ <u>239,241</u>	\$ <u>54,534</u>
Business-type activities:							
Compensated absences			\$ 23,391	\$ 23,391	(\$ 23,391)	\$ 23,391	\$ 23,391
Revenue bonds 1993 sewer bonds, amount of issue \$1,710,000, maturity through 2014	2.00%	\$ 70,000	1,025,000	-0-	(85,000)	940,000	85,000
Revenue bonds 2000 sewer bonds, amount of issue \$2,465,000, maturity through 2010	4.50% - 5.20%	165,000 - 300,000	<u>1,650,000</u>	<u>-0-</u>	<u>(250,000)</u>	<u>1,400,000</u>	<u>-0-</u>
Total business-type activities			\$ <u>2,698,391</u>	\$ <u>23,391</u>	(\$ <u>358,391</u> )	\$ <u>2,363,391</u>	\$ <u>108,391</u>
Component Unit:							
Revenue bonds 1987 water bonds, amount of issue \$750,000, maturity through 2011	6.00% - 8.625%	10,000 - 65,000	\$ <u>415,000</u>	\$ <u>-0-</u>	(\$ <u>40,000</u> )	\$ <u>375,000</u>	\$ <u>40,000</u>
Total component unit			\$ <u>415,000</u>	\$ <u>-0-</u>	(\$ <u>40,000</u> )	\$ <u>375,000</u>	\$ <u>40,000</u>

For the governmental activities, compensated absences are liquidated by the general fund or the fire special revenue fund (for firefighters).



TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

7. LONG-TERM DEBT (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2006	\$ 85,000	\$ 53,950	\$ 40,000	\$ 30,619
2007	335,000	81,938	45,000	26,953
2008	365,000	66,793	50,000	22,856
2009	365,000	50,831	55,000	18,328
2010	395,000	34,175	60,000	13,369
2011-2015	<u>795,000</u>	<u>33,050</u>	<u>125,000</u>	<u>10,997</u>
	<u>\$ 2,340,000</u>	<u>\$ 320,737</u>	<u>\$ 375,000</u>	<u>\$ 123,122</u>

8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

9. SUBSEQUENT EVENT/CONTINGENT LIABILITIES

Subsequent to the year ended June 30, 2005, the Township and the State of Michigan Department of Environmental Quality (DEQ) entered negotiation to determine the amount of penalties the Township may owe the State of Michigan for numerous violations at its wastewater treatment plant. This amount cannot be reasonably estimated and no provision for future liability, if any, has been provided in these financial statements.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

10. OTHER POST-EMPLOYMENT BENEFITS

The Township provides post-employment health care and dental insurance to eligible retirees and their spouses. The benefits are provided in accordance with Township ordinances, resolutions, and collective bargaining agreement. During the fiscal year, four (4) retirees were eligible for the post-employment health care and dental insurance benefits at a cost of \$13,756; these expenditures are recognized as the insurance premiums become due. The Township's policy is to finance these benefits on a pay-as-you-go basis. For those employees who terminate and are not eligible retirees (normal or disability), health care and dental insurance benefits continue for 30 days after termination. At that time the former employee has continuation rights to health care and dental insurance coverage under COBRA law of 1985.

11. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description

The Township's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Township participates in the Michigan Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The MERS retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Michigan Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy

The Township is required to contribute at an actuarially determined rate; the current rate is 8.12% for union employees and 5.60% for non-union employees of annual covered payroll. Township employees are required to contribute 7.5% of their annual covered payroll. The contribution requirements of the Township are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Township, depending on the MERS contribution program adopted by the Township.

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

11. EMPLOYEE RETIREMENT SYSTEM AND PLAN (Continued)

Annual Pension Costs

For year ended June 30, 2005, the Township's annual pension cost of \$88,920 for the MERS was equal to the Township's required and actual contribution. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period is 30 years.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 78,629	100%	\$ -0-
6/30/04	89,018	100%	-0-
6/30/05	88,920	100%	-0-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of % of Covered Payroll ((b-a)/c)</u>
12/31/02	\$ 2,916,960	\$ 3,348,967	\$ 432,007	87%	\$ 1,532,524	28%
12/31/03	3,304,656	3,877,819	573,163	85%	1,606,000	36%
12/31/04	3,620,259	4,391,339	771,080	82%	1,373,711	56%

TOWNSHIP OF LEONI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

12. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equity at June 30, 2004, as previously reported	\$ 1,443,210	\$17,234,656
Effect of recognizing State Shared Revenue	164,862	-0-
Effect of recognizing unbilled receivables and receipts at year end	-0-	100,607
Effect of reclassifying business-type liabilities from governmental activities	23,391	(23,391)
Effect of recognizing additional accrued liabilities	<u>(11,981)</u>	<u>(3,740)</u>
Equity - restated at June 30, 2005	\$ <u>1,619,482</u>	\$ <u>17,308,132</u>
	<u>General Fund</u>	
Fund balance at June 30, 2004, as previously reported	\$ 686,486	
Effect of recognizing State Shared Revenue	164,862	
Effect of recognizing additional accrued liabilities	<u>(31,973)</u>	
Fund balance - restated at June 30, 2005	\$ <u>819,375</u>	

## REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF LEONI  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
Year Ended June 30, 2005

	Budget		Actual	Actual Over (under) Final Budget
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 485,915	\$ 502,733	\$ 529,811	\$ 27,078
Licenses and permits	158,200	158,200	167,673	9,473
Intergovernmental	972,496	972,496	981,669	9,173
Charges for services	30,050	20,650	20,296	(354)
Fines and forfeitures	33,700	33,700	21,333	(12,367)
Interest	1,150	1,150	20,148	18,998
Other revenues	8,800	8,800	5,832	(2,968)
Total revenues	<u>1,690,311</u>	<u>1,697,729</u>	<u>1,746,762</u>	<u>49,033</u>
EXPENDITURES:				
General government:				
Township board	36,300	36,300	29,437	6,863
Township supervisor	91,878	90,713	81,411	9,302
Assessor	221,575	219,750	161,405	58,345
Township clerk - elections	12,500	12,500	8,375	4,125
Board of review	2,686	3,191	2,541	650
Township clerk	130,327	160,200	131,573	28,627
Township treasurer	126,281	135,469	100,960	34,509
Township hall and grounds	47,631	52,427	39,054	13,373
Public safety:				
Police	452,766	430,376	355,072	75,304
Inspection	146,576	153,376	135,729	17,647
Public works:				
Street lighting	75,694	88,000	85,662	2,338
Highways and streets	44,736	60,000	54,698	5,302
Water hydrants	14,000	14,000	14,000	-0-
Community and economic development	9,882	12,382	7,520	4,862
Recreation	7,500	7,500	2,850	4,650
Total expenditures	<u>1,420,332</u>	<u>1,476,184</u>	<u>1,210,287</u>	<u>265,897</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>269,979</u>	<u>221,545</u>	<u>536,475</u>	<u>314,930</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(732,604)	(289,222)	(226,487)	62,735
Proceeds from sale of capital assets	<u>-0-</u>	<u>-0-</u>	<u>9,795</u>	<u>9,795</u>
Total other financing sources (uses)	<u>(732,604)</u>	<u>(289,222)</u>	<u>(216,692)</u>	<u>72,530</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(462,625)	(67,677)	319,783	387,460
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>819,375</u>	<u>819,375</u>	<u>819,375</u>	<u>-0-</u>
FUND BALANCES - END OF YEAR	<u>\$ 356,750</u>	<u>\$ 751,698</u>	<u>\$ 1,139,158</u>	<u>\$ 387,460</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
BUDGETARY COMPARISON SCHEDULE -  
FIRE SPECIAL REVENUE FUND  
Year Ended June 30, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Actual Over (under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes and special assessments	\$ 384,518	\$ 822,400	\$ 801,815	(\$ 20,585)
Charges for services	2,500	8,000	11,218	3,218
Other revenues	<u>1,750</u>	<u>1,750</u>	<u>2,058</u>	<u>308</u>
Total revenues	<u>388,768</u>	<u>832,150</u>	<u>815,091</u>	<u>(17,059)</u>
EXPENDITURES:				
Public safety	<u>1,121,372</u>	<u>1,121,372</u>	<u>1,041,578</u>	<u>79,794</u>
Total expenditures	<u>1,121,372</u>	<u>1,121,372</u>	<u>1,041,578</u>	<u>79,794</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(732,604)</u>	<u>(289,222)</u>	<u>(226,487)</u>	<u>62,735</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	<u>732,604</u>	<u>289,222</u>	<u>226,487</u>	<u>(62,735)</u>
Total other financing sources (uses)	<u>732,604</u>	<u>289,222</u>	<u>226,487</u>	<u>(62,735)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-0-	-0-	-0-	-0-
FUND BALANCES - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES - END OF YEAR	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

## OTHER SUPPLEMENTAL INFORMATION



TOWNSHIP OF LEONI  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Non-Major Special Revenue <u>Funds</u>	Permanent <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
	<u>Drug Forfeiture</u>	<u>Cemetery</u>	
<u>ASSETS:</u>			
Cash and investments	\$ 7,568	\$ 15,876	\$ 23,444
Due from other funds	<u>-0-</u>	<u>4,153</u>	<u>4,153</u>
Total assets	\$ <u>7,568</u>	\$ <u>20,029</u>	\$ <u>27,597</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts payable	\$ -0-	\$ 421	\$ 421
Due to other funds	<u>-0-</u>	<u>4,215</u>	<u>4,215</u>
Total liabilities	<u>-0-</u>	<u>4,636</u>	<u>4,636</u>
Fund balances:			
Reserved for:			
Public Safety	7,568	-0-	7,568
Perpetual care	-0-	6,009	6,009
Unreserved:			
Undesignated	<u>-0-</u>	<u>9,384</u>	<u>9,384</u>
Total fund balances	<u>7,568</u>	<u>15,393</u>	<u>22,961</u>
Total liabilities and fund balances	\$ <u>7,568</u>	\$ <u>20,029</u>	\$ <u>27,597</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Non-Major Special Revenue <u>Funds</u>	Permanent <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
	<u>Drug Forfeiture</u>	<u>Cemetery</u>	
REVENUES:			
Fines and forfeitures	\$ 12,589	\$ -0-	\$ 12,589
Charges for services	-0-	6,000	6,000
Interest	<u>-0-</u>	<u>303</u>	<u>303</u>
Total revenues	<u>12,589</u>	<u>6,303</u>	<u>18,892</u>
EXPENDITURES:			
General government	-0-	7,952	7,952
Public Safety	<u>5,021</u>	<u>-0-</u>	<u>5,021</u>
Total expenditures	<u>5,021</u>	<u>7,952</u>	<u>12,973</u>
EXCESS OF REVENUES OVER (UNDER) EXPEN- DITURES	7,568	(1,649)	5,919
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>17,042</u>	<u>17,042</u>
FUND BALANCE - END OF YEAR	\$ <u>7,568</u>	\$ <u>15,393</u>	\$ <u>22,961</u>

See accompanying notes to financial statements.

**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
ALLISON I. COLE, C.P.A.

November 30, 2005

Township Board  
Township of Leoni  
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of the Township of Leoni for the year ended June 30, 2005, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 30, 2005, on the financial statements of the Township of Leoni. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be please to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Internal Control Considerations

During the audit, we noted that most journal entries entered by an employee were not reviewed by management. We suggest that the Clerk review and authorize non-standard journal entries.

#### Use of Drug Enforcement Money

In accordance with MCL 333.7524(1)(b) – “....The money received ...and all interest earned on money received ...shall be used to enhance law enforcement efforts pertaining to this article...” During the audit year we noted several items purchased with Drug Enforcement Fund money that may not follow this law. We suggest that MCL 333 be reviewed so that in the future the monies will be used correctly.

#### Accounting System

We also noted during the audit that connection fees that were financed were not set up in the Sewer fund general ledger. We suggest that the utility billing clerk notify the bookkeeper when a new Special Assessment is created, to help insure that they are recorded accurately and timely.

We suggest that the Township review the Due to Other Funds, and approve repayment of these amounts. Several of the balances have been outstanding for several years.

All allowances, such as food allowances, are generally required to be included on the employee's W-2 Form and are subject to payroll taxes, unless the allowances are paid under an accountable plan. We suggest, in the future, the Township include the allowances, paid under an unaccountable plan on the employee's W-2 Form, unless the employee provides the Township with qualified expense verification equal to, or exceeding the allowance.

#### Record Keeping of Vehicles

During the audit we examined the vehicle titles. Several vehicles were not listed on the insurance policy. We also noted several vehicles on the insurance policy, but the title could not be located. We suggest that the Clerk review the titles and request from the State of Michigan any missing ones. We also suggest the titles remain in the custody of the Clerk at all times and only released after the receipt of payment for a properly authorized sale.

#### Allocation of Expenditures

We suggest that the Township review the Internal Service Fund equipment allocations to the various departments and funds to see if they are still valid. We also suggest a review of employee cost allocations and changes made if appropriate.

Enterprise Fund Receivables

We noted that the Sewer and Water fund receivables for usage are not reconciled with the general ledger. We suggest that the utility billing clerk and the bookkeeper, no less than monthly reconcile the general ledger to the respective subsidiary ledgers.

Capitalization Policy

We suggest that the Township Board adopt a formal capitalization policy for fixed assets. The policy should include the minimum cost of assets purchased to be account for in the equipment expenditure account. These assets will be capitalized and depreciated in the GASB 34 financial statements.

D.D.A. Proportionality Adjustment and Surplus Capital Tax Distribution

The D.D.A. should review their current fund position and ongoing budgeted revenue and expenditures. In addition, the D.D.A. "plan" should be reviewed, a future course of action developed, and the plan amended if necessary. The State Tax Commission requires that the capturing entity "shall not retain a greater percentage of school operating taxes...than the percentage of county allocated or municipality operating taxes...that the plan captures and uses." We recommend that the D.D.A. consider whether or not a surplus captured taxes distribution, a proportionality adjustment, and distribution of excess captured school taxes be calculated and disbursed.

This report is intended solely for the information and use of the Township Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you.

Respectfully yours,

*Dove & Hickey, P.L.C.*